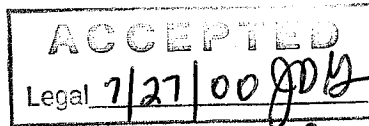


ASHLEY OAKS WATER SYSTEM CO



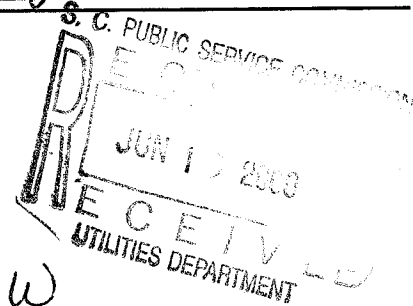
209 BLYTHEWOOD ROAD
BLYTHEWOOD, SC 29016

POSTED
CAC
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Phone 786-1414
Fax 754-7700

June 15, 2000

The Public Service Commission of South Carolina
Utilities Department
101 Executive Center Drive
P.O. Drawer 11649
Columbia, SC 29111



STATEMENT OF REASON JUSTIFYING NEED FOR PROPOSED RATE ADJUSTMENT

Gentlemen:

In compliance with R.103-712.4 of the Rules and Regulations Governing Service Supplied by Water Utilities in South Carolina dated June 30, 1976 Ashley Oaks Water System, Inc. is hereby filing this statement of reason justifying need for proposed rate adjustment. The reasons are stated below:

Ashley Oaks Water System has not had a rate increase in nine years. This does not keep pace with inflation.

Ashley Oaks Water System's users have grown from about 10-15 per year to 71 users. This has required additional labor to read meters, comply with water cleanliness standards, send bills, expansion of pumps, and increased accounting and banking transactions. The cost of the water is not sufficient to cover these increased costs.

Ashley Oaks Water System is 100% owned by me, Michael D. Shelley. I also own a real estate construction company and a property development company. I have used the employees, accounting systems and the facilities of these entities to read meters, generate bills, post payments, pay bills, and coordinate DHEC compliance. No payment to the related entities has ever been made for these services or facilities, because the water system's revenue was inadequate to cover these costs. These amounts have been partially accrued as being due to the affiliate companies.

The current revenues are not sufficient to provide for a reserve fund. The majority of the existing water equipment is now almost 10 years old. No funds exist to replace or repair this equipment.

Revenues are not adequate to cover daily DHEC inspection costs.

The shareholder has paid for the equipment in Ashley Oaks Water System. Currently the shareholder is foregoing all collection efforts on the not due him, as revenues are inadequate for any payments.

The demand for water in Ashley Oaks has necessitated expanding the current system. New wells, costing about \$15,000 each, are being drilled as an addition to the existing system. The wells are necessary to improve water pressure and supply for current users and to facilitate expansion.

I have attached the items (1) – (15) outlined in the regulations with this statement. These attachments will substantiate the above circumstances, and show the amount of increased revenue needed.

Please contact me at the above phone number if you require additional information

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Shelley, Sr.", written in a cursive style.

Michael D. Shelley, Sr., president, Ashley Oaks Water System, Inc.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Assets and Liabilities - Income Tax Basis
December 31, 1998

ASSETS

Current Assets:	
Cash in Checking	<u>\$4,431</u>
Total Current Assets	4,431
Property, Plant and Equipment:	
Pumps, Mains & Equipment	78,643
Less, Accumulated Depreciation	<u>(25,742)</u>
Net Property, Plant and Equipment	52,901
Other Assets:	
Organization Costs	500
Less, Accumulated Amortization	<u>(500)</u>
Net Other Assets	0
TOTAL ASSETS	<u><u>\$57,332</u></u>

LIABILITIES AND STOCKHOLDER EQUITY

Long-term Liabilities:	
Note to Shareholder	<u>\$53,093</u>
Total Liabilities	53,093
Stockholder Equity	
Capital Stock, \$1 par value, 1000 shares issued and outstanding	1,000
Retained Earnings - Unappropriated	<u>3,239</u>
Total Stockholder Equity	4,239
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u><u>\$57,332</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Revenue and Expenses - Income Tax Basis
For the twelve months ended December 31, 1998

Revenue:	
Water service and tap fees	\$19,778
Expenses:	
Property taxes on equipment	2,161
Interest expense	7
Equipment depreciation	4,861
DHEC Compliance fees	7,387
Professional fees	320
Licenses	1,378
Casual labor	280
Dues and Subscriptions	95
Postage for bills	339
Utilities	3,043
Miscellaneous	<u>17</u>
Total expenses	19,888
Net income (loss) from operations	<u>(110)</u>
Other Revenue (Expenses)	
Interest income	110
Federal income taxes	<u>(572)</u>
Total other revenue (expenses)	(462)
Net Income (Loss)	<u><u>(\$572)</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Assets and Liabilities - Income Tax Basis
December 31, 1999

ASSETS

Current Assets:	
Cash in Checking	\$2,946
Accounts Receivable	<u>603</u>
Total Current Assets	2,946
Property, Plant and Equipment:	
Pumps, Mains & Equipment	80,755
Less, Accumulated Depreciation	<u>(25,081)</u>
Net Property, Plant and Equipment	55,674
Other Assets:	
Organization Costs	500
Less, Accumulated Amortization	<u>(500)</u>
Net Other Assets	0
TOTAL ASSETS	<u><u>\$58,620</u></u>

LIABILITIES AND STOCKHOLDER EQUITY

Long-term Liabilities:	
Note to Shareholder	<u>\$71,997</u>
Total Liabilities	71,997
Stockholder Equity	
Capital Stock, \$1 par value, 1000 shares issued and outstanding	1,000
Retained Earnings - Unappropriated	<u>(14,377)</u>
Total Stockholder Equity	(13,377)
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u><u>\$58,620</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Revenue and Expenses - Income Tax Basis
For the twelve months ended December 31, 1999

Revenue:	
Water service and tap fees	\$20,606
Expenses:	
Property taxes on equipment	127
Interest expense	2,555
Equipment depreciation	4,200
DHEC Compliance fees	9,840
Professional fees	910
Licenses	22
Bookkeeping Services	6,250
Administration of plant and office facilities	12,000
Postage for bills	335
Utilities	3,115
Bad Debts	478
Bank Charges	29
Maintenance	280
Office Occupancy	2,400
Miscellaneous	<u>1</u>
Total expenses	42,542
Net income (loss) from operations	<u>(21,936)</u>
Other Revenue (Expenses)	
Interest income	71
Federal income taxes	<u>(10)</u>
Total other revenue (expenses)	61
Net Income (Loss)	<u><u>(\$21,875)</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Assets and Liabilities - Income Tax Basis
May 31, 2000

ASSETS

Current Assets:	
Cash in Checking	\$647
Accounts Receivable	<u>552</u>
Total Current Assets	647
Property, Plant and Equipment:	
Pumps, Mains & Equipment	84,855
Less, Accumulated Depreciation	<u>(31,156)</u>
Net Property, Plant and Equipment	53,699
Other Assets:	
Organization Costs	500
Less, Accumulated Amortization	<u>(500)</u>
Net Other Assets	0
TOTAL ASSETS	<u><u>\$54,346</u></u>

LIABILITIES AND STOCKHOLDER EQUITY

Long-term Liabilities:	
Note to Shareholder	<u>\$69,944</u>
Total Liabilities	69,944
Stockholder Equity	
Capital Stock, \$1 par value, 1000 shares issued and outstanding	1,000
Retained Earnings - Unappropriated	(14,377)
Current Period Income (Loss)	<u>(2,221)</u>
Total Stockholder Equity	(15,598)
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u><u>\$54,346</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Blythewood, SC
Statement of Revenue and Expenses - Income Tax Basis
For the five months ended May 31, 2000

Revenue:	
Water service and tap fees	\$7,975
Expenses:	
Property taxes on equipment	222
Interest expense	0
Equipment depreciation	2,000
DHEC Compliance fees	(2,027)
Casual Labor	577
Dues and Subscriptions	95
Bookkeeping Services	2,600
Administration of plant and office facilities	5,000
Postage for bills	132
Utilities	1,016
Bad Debts	23
Bank Charges	13
Maintenance	0
Office Occupancy	1,000
Miscellaneous	<u>1</u>
Total expenses	10,652
Net income (loss) from operations	<u>(2,677)</u>
Other Revenue (Expenses)	
Interest income	456
Federal income taxes	<u>0</u>
Total other revenue (expenses)	456
Net Income (Loss)	<u><u>(\$2,221)</u></u>

See accompanying accountants' compilation report.

ASHLEY OAKS WATER SYSTEM, INC.
Proforma Balance Sheet using proposed rates
applied to test year
2001 Test Year

ASSETS

Current Assets:	
Cash in Checking	<u>\$418</u>
Total Current Assets	418
Property, Plant and Equipment:	
Pumps, Mains & Equipment	93,643
Less, Accumulated Depreciation	<u>(30,242)</u>
Net Property, Plant and Equipment	63,401
Other Assets:	
Organization Costs	500
Reserve for equipment replacement	0
Less, Accumulated Amortization	<u>(500)</u>
Net Other Assets	0
TOTAL ASSETS	<u><u>\$63,819</u></u>

LIABILITIES AND STOCKHOLDER EQUITY

Long-term Liabilities:	
Note to Shareholder	<u>\$56,338</u>
Total Liabilities	56,338
Stockholder Equity	
Capital Stock, \$1 par value, 1000 shares issued and outstanding	1,000
Retained Earnings - Unappropriated	<u>6,481</u>
Total Stockholder Equity	7,481
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u><u>\$63,819</u></u>

ASHLEY OAKS WATER SYSTEM, INC.**Proforma Cash Receipts and Expense statement using proposed rates
applied to test year
2001 Test Year**

Revenue:

Water service and tap fees	\$47,008
----------------------------	----------

Expenses:

Property taxes on equipment	2,161
Wages and fringes for meter reader	2,500
Wages and fringes for receivables and payables clerk	8,320
Interest expense	4,707
Principal repayment	1,755
Reserve for equipment repair and replacement	5,000
Inspection and Operations labor	14,400
Professional fees	500
Licenses	1,378
Casual labor	280
Dues and Subscriptions	95
Postage for bills	407
Utilities	3,652
Miscellaneous	<u>150</u>
Total expenses	45,305

Net cash from operations	<u>1,703</u>
--------------------------	--------------

Other cash receipts (expenses)

Interest income	75
Income taxes	<u>(792)</u>
Total other cash receipts (expenses)	(717)

Net Income (Loss)	<u><u>\$987</u></u>
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ASHLEY OAKS WATER SYSTEM, INC.

**Proforma Income and Expense statement using proposed rates
applied to test year
2001 Test Year**

Revenue:

Water service and tap fees	\$47,008
----------------------------	----------

Expenses:

Property taxes on equipment	2,161
Wages and fringes for meter reader	2,500
Wages and fringes for receivables and payables clerk	8,320
Interest expense	4,707
Equipment depreciation	4,500
Inspection and Operations labor	14,400
Professional fees	500
Licenses	1,378
Casual labor	280
Dues and Subscriptions	95
Postage for bills	407
Utilities	3,652
Miscellaneous	<u>150</u>
Total expenses	43,050

Net income (loss) from operations	<u>3,958</u>
-----------------------------------	--------------

Other Revenue (Expenses)

Interest income	75
Income Taxes	<u>(792)</u>
Total other revenue (expenses)	(717)

Net Income (Loss)	<u><u>\$3,242</u></u>
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ASHLEY OAKS WATER SYSTEM, INC.
Proposed rate schedule
2001 Test Year



	Monthly Service Charge	Rate per Gallon	Tap Fees	Total
Current rates:				
Number of customers	7.00	1.95		
Gallons pumped in 1998	67	6,068,540		
Total 1998 revenue	5,628.00	11,833.65	2,300.00	19,761.65
 Number of customers	 68	 7,031,290	 1,183.00	 20,606.00
Total 1999 revenue	5,712.00	13,711.02		
 Proposed rates:				
Number of customers	12.00	3.50		
Estimated gallons (+20%)	80	7,282,248		
Total 2000 revenue	11,520.00	25,487.87	10,000.00	47,007.87

Asset *	Property Description	Date In Service	Cost	Sec 179 Exp Current = c	Salvage Value	Prior Deprec	Current Deprec	End Depreciation	Net Book Value	Method	Period
Group: EQUIPMENT											
1	EQUIPMENT	1/01/93	66,592.67	0.00	0.00	23,187.57	3,255.38	26,442.95	40,149.72	150DB	20.0
2	NEW LINES TO WELL	6/22/94	1,188.39	0.00	0.00	351.35	62.78	414.13	774.26	150DB	20.0
3	2 WELLS & PUMPS	6/30/95	4,683.60	0.00	0.00	1,115.76	267.59	1,383.35	3,300.25	150DB	20.0
4	PUMPS	6/30/96	933.80	0.00	0.00	164.78	57.68	222.46	711.34	150DB	20.0
6	PUMPS	6/18/98	1,395.00	0.00	0.00	69.75	132.53	202.28	1,192.72	150DB	15.0
7	EQUIPMENT	8/08/98	3,850.00	695.00	0.00	852.75	299.73	1,152.48	2,697.52	150DB	15.0
	EQUIPMENT		78,643.46	0.00c	0.00	25,741.96	4,075.69	29,817.65	48,825.81		
Group: START UP COSTS											
5	START UP COSTS	1/01/93	500.00	0.00	0.00	500.00	0.00	500.00	0.00	Amort	5.0
	START UP COSTS		500.00	0.00c	0.00	500.00	0.00	500.00	0.00		
	Grand Total		79,143.46	0.00c	0.00	26,241.96	4,075.69	30,317.65	48,825.81		

► Instructions are separate. See instructions for Paperwork Reduction Act Notice.

OMB No. 1545-0123

For calendar year 1999 or tax year beginning _____, 1999, ending _____

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature of Officer  Date _____	President Title _____	
Paid Preparer's Use Only	Preparer's Signature  Date _____	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN 546-94-4795
	Firm's Name (or yours if self-employed) and Address Wildman & Richards, LLP 121 Executive Center Dr. #243 Columbia SC	EIN ▶ 57-1006380 ZIP Code ▶ 29210	

Schedule J Tax Computation (see instructions)

- 1 Check if the corporation is a member of a controlled group (see Sections 1561 and 1563) ☐ **Important:** Members of a controlled group, see instructions.

2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):

(1) \$ (2) \$ (3) \$

b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$

(2) Additional 3% tax (not more than \$100,000) \$

- 3 Income tax. Check if a qualified personal service corporation under Section 448(d)(2) (see instructions) ☐

4a Foreign tax credit (attach Form 1118) ☐

4 a

b Possessions tax credit (attach Form 5735) ☐

4 b

c Check: ☐ Nonconventional source fuel credit ☐ QEV credit (attach Form 8834)

4 c

d General business credit. Enter here and check which forms are attached:

☐ 3800

☐ 3468 ☐ 5884 ☐ 6478 ☐ 6765 ☐ 8586 ☐ 8830 ☐ 8826

☐ 8835 ☐ 8844 ☐ 8845 ☐ 8846 ☐ 8820 ☐ 8847 ☐ 8861

4 d

4 e

e Credit for prior year minimum tax (attach Form 8827) ☐

5 Total credits. Add lines 4a through 4e

3

6 Subtract line 5 from line 3

5

7 Personal holding company tax (attach Schedule PH (Form 1120))

6

8 Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611

7

9 Alternative minimum tax (attach Form 4626)

8

10 Add lines 6 through 9

9

11 Qualified zone academy bond credit (attach Form 8860)

10

12 Total tax. Subtract line 11 from line 10. Enter here and on line 31, page 1

11

12

Schedule K Other Information (see instructions)

- 1 Check method of accounting: a ☐ Cash

Yes No

b ☐ Accrual c ☒ Other (specify) Hybrid

2 See the instructions and enter the:

a Business activity code no. 221300

b Business activity WATER SUPPLY

c Product or service WATER

- 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see Section 267(c).) ☒

If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.

- 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? ☒

If 'Yes,' enter name and EIN of the parent corporation

- 5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).) ☒

If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)

Enter % owned 100.00 See Ques 5 Stmt

- 6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See Sections 301 and 316.) ☒

If 'Yes,' file Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.

- 7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See Sections 951 and 957.) ☒

Yes No

If 'Yes,' attach Form 5471 for each such corporation.

Enter no. of Forms 5471 attached

- 8 At any time during the 1999 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? ☒

If 'Yes,' the corporation may have to file Form TD F 90-22.1.

If 'Yes,' enter name of foreign country

- 9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the corporation may have to file Form 3520. ☒

- 10 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? ☒

If 'Yes,'

a Enter percentage owned

b Enter owner's country

c The corporation may have to file Form 5472. Enter number of Forms 5472 attached

- 11 Check this box if the corporation issued publicly offered debt instruments with original issue discount ☐

If checked, the corporation may have to file Form 8281.

- 12 Enter the amount of tax-exempt interest received or accrued during the tax year \$

- 13 If there were 75 or fewer shareholders at the end of the tax year, enter the number

- 14 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ☒

- 15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.)

\$

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		4,431.		2,946.
2a	Trade notes and accounts receivable			603.	
b	Less allowance for bad debts				603.
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	78,643.		80,755.	
b	Less accumulated depreciation	25,742.	52,901.	29,818.	50,937.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	500.		500.	
b	Less accumulated amortization	500.	0.	500.	0.
14	Other assets (attach schedule)				
15	Total assets		57,332.		54,486.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach sch)				
19	Loans from shareholders		53,093.		72,122.
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
b	Common stock	1,000.	1,000.	1,000.	1,000.
23	Additional paid-in capital				
24	Retained earnings — Approp				
25	Retained earnings — Unappropriated		3,239.		-18,636.
26	Adjustments to shareholders' equity				
27	Less cost of treasury stock				
28	Total liabilities and shareholders' equity		57,332.		54,486.

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)				
1	Net income (loss) per books	-21,875.	7	Income recorded on books this year not included on this return (itemize):
2	Federal income tax			Tax-exempt interest \$
3	Excess of capital losses over capital gains			
4	Income subject to tax not recorded on books this year (itemize):			
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):
a	Depreciation	\$	a	Depreciation
b	Contributions carryover	\$	b	Contribn carryover
c	Travel & entertainment	\$		
6	Add lines 1 through 5	-21,875.	9	Add lines 7 and 8
			10	Income (line 28, page 1) — line 6 less line 9
				-21,875.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)				
1	Balance at beginning of year	3,239.	5	Distributions
2	Net income (loss) per books	-21,875.	a	Cash
3	Other increases (itemize):		b	Stock
			c	Property
			6	Other decreases (itemize):
4	Add lines 1, 2, and 3	-18,636.	7	Add lines 5 and 6
			8	Balance at end of year (line 4 less line 7)
				-18,636.

Form 4562

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

1999

67

Department of the Treasury
Internal Revenue Service (99)▶ See instructions.
▶ Attach this form to your return.

Name(s) Shown on Return

ASHLEY OAKS WATER SYSTEM, INC.

Business or Activity to Which This Form Relates

Form 1120 Line 20

Identifying Number

57-0938542

Part I Election to Expense Certain Tangible Property (Section 179)

(Note: If you have any 'listed property,' complete Part V before you complete Part I.)

1	Maximum dollar limitation. If an enterprise zone business, see instructions	1	\$19,000.
2	Total cost of Section 179 property placed in service. See instructions	2	
3	Threshold cost of Section 179 property before reduction in limitation	3	\$200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter amount from line 27	7	
8	Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from 1998. See instructions	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2000. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 1999 Tax Year
(Do Not Include Listed Property)**Section A — General Asset Account Election**

- 14 If you are making the election under Section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See instructions ☐

Section B — General Depreciation System (GDS) (See instructions)

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	
				MM	S/L	

Section C — Alternative Depreciation System (ADS) (See instructions)

16a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part III Other Depreciation (Do Not Include Listed Property) (See instructions)

17 GDS and ADS deductions for assets placed in service in tax years beginning before 1999	17	4,076.
18 Property subject to Section 168(f)(1) election	18	
19 ACRS and other depreciation	19	

Part IV Summary (See instructions)

20 Listed property. Enter amount from line 26	20	
21 Total. Add deductions on line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	21	4,076.
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to Section 263A costs	22	

BAA For Paperwork Reduction Act Notice, see instructions.

FDIZ0812 10/21/99

Form 4562 (1999)

Part V Listed Property — Automobiles, Certain Other Vehicles, Cellular Telephones, Certain Computers, and Property Used for Entertainment, Recreation, or Amusement

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A — Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

23a Do you have evidence to support the business/investment use claimed?					Yes	No	23b If 'Yes,' is the evidence written?					Yes	No
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected Section 179 cost					
24 Property used more than 50% in a qualified business use (see instructions):													
25 Property used 50% or less in a qualified business use (see instructions):													
26 Add amounts in column (h). Enter the total here and on line 20, page 1											26		
27 Add amounts in column (i). Enter the total here and on line 7, page 1											27		

Section B — Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
28 Total business/investment miles driven during the year (Do not include commuting miles — see instructions)						
29 Total commuting miles driven during the year						
30 Total other personal (noncommuting) miles driven						
31 Total miles driven during the year. Add lines 28 through 30						
	Yes	No	Yes	No	Yes	No
32 Was the vehicle available for personal use during off-duty hours?						
33 Was the vehicle used primarily by a more than 5% owner or related person?						
34 Is another vehicle available for personal use?						

Section C — Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons.

35 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
36 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners		
37 Do you treat all use of vehicles by employees as personal use?		
38 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
39 Do you meet the requirements concerning qualified automobile demonstration use? See instructions		

Note: If your answer to 35, 36, 37, 38, or 39 is 'Yes,' you need not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code Section	(e) Amortization period or percentage	(f) Amortization for this year
40 Amortization of costs that begins during your 1999 tax year:					
41 Amortization of costs that began before 1999					41
42 Total. Enter here and on 'Other Deductions' or 'Other Expenses' line of your return					42

Form 1120, Page 1, Line 10

Other Income Statement

TAP FEES	1,480.
FINANCE CHARGES, INTEREST	683.
Total	<u>2,163.</u>

Form 1120, Page 1, Line 26

Other Deductions Statement

DHEC Compliance	9,660.
Profesional Fees	2,800.
Office Supply Misc	2,180.
Licenses Expenses	22.
Bookkeeping services	6,250.
Administration fee	12,000.
Postage	335.
Misc	
Utilities	
Total	<u>33,247.</u>

Form 1120, Sch K, Corporation Ownership Information

Ques 5 Stmt

Name	ID No.
MICHAEL SHELLEY	<u>248-62-0727</u>

Supporting Statement of:

Form 1120, p3-4/Line 1(b)

Description	Amount
Regular Checking	2,710.
Savings Account	1,721.
Total	<u>4,431.</u>

IRS use only — Do not write or staple in this space.

For calendar year 1998 or tax year beginning

, 1998, ending . 19

OMB No. 1545-0123

A Check if a: 1 Consolidated return (attach Form 851) ... <input type="checkbox"/> 2 Personal holding co (attach Sch PH) ... <input type="checkbox"/> 3 Personal service corp (as defined in Temp Regs Sec 1.441-4T—see instructions) ... <input type="checkbox"/>		Use IRS label. Otherwise, please print or type. Name ASHLEY OAKS WATER SYSTEM, INC. Number, Street, and Room or Suite Number (If a P.O. box, see instructions.) 209 BLYTHEWOOD ROAD City or Town BLYTHEWOOD State SC ZIP Code 29016		B Employer ID Number 57-0938542 C Date Incorporated 06/10/90 D Total Assets (see instructions) \$ 57,332	
E Check applicable boxes:		(1) Initial return	(2) Final return	(3) Change of address	\$ 57,332

I N C O M E	1	a Gross receipts or sales	19,778.	b Less returns & allowances		c Balance	1c	19,778.
	2	Cost of goods sold (Schedule A, line 8)					2	
	3	Gross profit. Subtract line 2 from line 1c					3	19,778.
	4	Dividends (Schedule C, line 19)					4	
	5	Interest					5	110.
	6	Gross rents					6	
	7	Gross royalties					7	
	8	Capital gain net income (attach Schedule D (Form 1120))					8	
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10	Other income (see instructions — attach schedule)					10	
	11	Total income. Add lines 3 through 10					11	19,888.

DEDUCTIONS FOR LIMITATIONS SEE INSTRUCTIONS	12	Compensation of officers (Schedule E, line 4)		12		
	13	Salaries and wages (less employment credits)		13		
	14	Repairs and maintenance		14		
	15	Bad debts		15		
	16	Rents		16		
	17	Taxes and licenses		17	2,161.	
	18	Interest		18	7.	
	19	Charitable contributions (see instructions for 10% limitation)		19		
	20	Depreciation (attach Form 4562)	20	4,861.		
	21	Less depreciation claimed on Schedule A and elsewhere on return	21 a		21 b	4,861.
	22	Depletion			22	
	23	Advertising			23	
	24	Pension, profit-sharing, etc, plans			24	
	25	Employee benefit programs			25	
	26	Other deductions (attach schedule) .See Other Deductions Statement			26	12,859.
27	Total deductions. Add lines 12 through 26			27	19,888.	
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28	0.	
29	Less: a Net operating loss deduction (see instructions)	29 a				
	b Special deductions (Schedule C, line 20)	29 b		29 c		

TAX AND PAYMENTS	30	Taxable income. Subtract line 29c from line 28				30	0.
	31	Total tax (Schedule J, line 12)				31	
	32	Payments:	a	1997 overpayment credited to 1998	32a		
		b	1998 estimated tax payments	32b			
		c	Less 1998 refund applied for on Form 4466	32c			
		d	Bal ▶	32d			
		e	Tax deposited with Form 7004	32e	0.		
		f	Credit for tax paid on undistributed capital gains (attach Form 2439)	32f			
		g	Credit for federal tax on fuels (attach Form 4136). See instructions	32g			
		32h		0.			
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached				33		
34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed				34		
35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid				35	0.	
36	Enter amount of line 35 you want: Credited to 1999 estimated tax				36		
	Refunded ▶						

Sign	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
-------------	--

Signature of Officer

Date _____

Title

**Paid
Preparer's
Use Only**

Preparer's Signature 

Firm's Name
(or yours if self-employed)
and Address

WILDMAN & RICHARDS, LLP
121 EXECUTIVE CENTER DR. #243
COLUMBIA

50

Check if self-employed ☐

Preparer's Social Security Number

EIN	▶ 57-1006380
-----	--------------

ZIP Code ▶ 29210

Schedule A	Cost of Goods Sold (see instructions.)
-------------------	---

1 Inventory at beginning of year	1	
2 Purchases	2	
3 Cost of labor	3	
4 Additional Section 263A costs (attach schedule)	4	
5 Other costs (attach schedule)	5	
6 Total. Add lines 1 through 5	6	
7 Inventory at end of year	7	
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations Section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations Section 1.471-4

(iii) ☐ Other (specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations Section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation ? ☐ Yes ☒ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions
(see instructions.)

Schedule C	Dividends and Special Deductions (see instructions.)	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (Section 246A)			
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (Section 245(b))		100	
9	Total. Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (Sec 245(c)(1)) ..		100	
12	Dividends from affiliated group members subject to the 100% ded (Section 243(a)(3)) ..		100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471) ...			
15	Foreign dividend gross-up (Section 78)			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (Section 246(d)) ..			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1			
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1			

Schedule E Compensation of Officers (see instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	Michael D. Shelley, Sr	248-62-0727	40.0 %	100.0 %	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1					

Schedule J Tax Computation (see instructions.)

1 Check if the corporation is a member of a controlled group (see Sections 1561 and 1563) <input type="checkbox"/>		
Important: Members of a controlled group, see instructions.		
2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):		
(1) \$	(2) \$	(3) \$
b Enter the corporation's share of:		
(1) Additional 5% tax (not more than \$11,750) \$		
(2) Additional 3% tax (not more than \$100,000) \$		
3 Income tax. Check if a qualified personal service corporation under Section 448(d)(2) (see instructions) <input type="checkbox"/>		3
4a Foreign tax credit (attach Form 1118)	4a	
b Possessions tax credit (attach Form 5735)	4b	
c Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (attach Form 8834)	4c	
d General business credit. Enter here and check which forms are attached:		
<input type="checkbox"/> 3468 <input type="checkbox"/> 5884 <input type="checkbox"/> 6478 <input type="checkbox"/> 6765 <input type="checkbox"/> 8586 <input type="checkbox"/> 8830 <input type="checkbox"/> 8826		
<input type="checkbox"/> 8835 <input type="checkbox"/> 8844 <input type="checkbox"/> 8845 <input type="checkbox"/> 8846 <input type="checkbox"/> 8820 <input type="checkbox"/> 8847 <input type="checkbox"/> 8861	4d	
e Credit for prior year minimum tax (attach Form 8827)	4e	
5 Total credits. Add lines 4a through 4e	5	
6 Subtract line 5 from line 3	6	
7 Personal holding company tax (attach Schedule PH (Form 1120))	7	
8 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	8	
9 Alternative minimum tax (attach Form 4626)	9	
10 Add lines 6 through 9	10	
11 Qualified zone academy bond credit (attach Form 8860)	11	
12 Total tax. Subtract line 11 from line 10. Enter here and on line 31, page 1	12	

Schedule K Other Information (see instructions.)

1 Check method of accounting: a <input type="checkbox"/> Cash	Yes	No	7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See Sections 951 and 957.)	Yes	No
b <input type="checkbox"/> Accrual c <input checked="" type="checkbox"/> Other (spec) <u>Hybrid</u>			If 'Yes,' attach Form 5471 for each such corporation.		X
2 See the instructions and state the:			Enter no. of Forms 5471 attached		
a Business activity code no. (New) <u>221300</u>			8 At any time during the 1998 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country?		X
b Business activity <u>WATER SUPPLY</u>			If 'Yes,' the corporation may have to file Form TD F 90-22.1.		
c Product or service <u>WATER</u>			If 'Yes,' enter name of foreign country		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see Section 267(c).)		X	9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the corporation may have to file Form 3520		X
If 'Yes,' attach a schedule showing: (a) name and identifying number, (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			10 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?		X
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?		X	If 'Yes,'		
If 'Yes,' enter employer identification number and name of the parent corporation			a Enter percentage owned		
5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).)	X		b Enter owner's country		
If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)			c The corporation may have to file Form 5472. Enter number of Forms 5472 attached		
Enter % owned <u>100.00</u> See Ques 5 Stmt			11 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See Sections 301 and 316.)		X	12 Enter the amount of tax-exempt interest received or accrued during the tax year \$		
If 'Yes,' file Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.			13 If there were 35 or fewer shareholders at the end of the tax year, enter the number		
			14 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>		
			15 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.)		
			\$		

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		6,887.		4,431.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to stockholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	73,398.		78,643.	
b	Less accumulated depreciation	20,881.	52,517.	25,742.	52,901.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	500.		500.	
b	Less accumulated amortization	500.	0.	500.	0.
14	Other assets (attach schedule)				
15	Total assets		59,404.		57,332.
Liabilities and Stockholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach sch)				
19	Loans from stockholders		54,593.		53,093.
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
b	Common stock	1,000.	1,000.	1,000.	1,000.
23	Additional paid-in capital				
24	Retained earnings — Approp				
25	Retained earnings — Unappropriated		3,811.		3,239.
26	Adjustments to shareholders' equity				
27	Less cost of treasury stock				
28	Total liabilities and stockholders' equity		59,404.		57,332.

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions.)

1	Net income (loss) per books	-572.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax	572.		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year:				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation	\$	a	Depreciation	\$
b	Contributions carryover	\$	b	Contrib carryover	\$
c	Travel & entertainment	\$			
6	Add lines 1 through 5	0.	9	Add lines 7 and 8	
			10	Income (line 28, page 1) — line 6 less line 9	0.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	3,811.	5	Distributions	a Cash ...
2	Net income (loss) per books	-572.		b Stock	c Property ..
3	Other increases (itemize):		6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	3,239.	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	3,239.

Form 1120, Page 1, Line 26

Other Deductions Statement

DHEC Compliance	7,387.
Professional Fees	320.
Office Supply Misc	11.
Licenses Expenses	1,378.
Casual Labor	280.
Dues & Subscriptions	95.
Postage	339.
Misc	6.
Utilities	3,043.
Total	<u>12,859.</u>

Form 1120, Sch K, Corporation Ownership Information

Ques 5 Stmt

Name	ID No.
MICHAEL SHELLEY	248-62-0727

Supporting Statement of:

Form 1120, p3-4/Line 1(d)

Description	Amount
Regular Checking	2,710.
Savings Account	1,721.
Total	<u>4,431.</u>

FROM :

FAX NO. :

Jun. 29 2000 01:41PM P2

Ashley Oaks Water System, Co.
209 Blythewood Road
Blythewood, SC 29016

Phone: 786-1414

Invoice

Invoice Number:

0000

Invoice Date:

Jun 23, 2000

Page:

1

Duplicate

Sold To:

OSCAR AYCOCK
105 OAK SPRINGS ROAD
BLYTHEWOOD, SC 29016

Customer ID: ACOCK

Service Period	Payment Terms	Due Date
06/08/00-06/14/00	Net 1st of Next Month	7/1/00

Quantity	Item	Description	Unit Price	Extension
<i>Customer Bill Form</i>				

Subtotal 0.00

Sales Tax

Total Invoice Amount 0.00

Check No: Payment Received 0.00

TOTAL 0.00

We will add finance charges on invoices more than 30 days overdue.

